

Message Text

LIMITED OFFICIAL USE

PAGE 01 MOSCOW 15354 101719Z

62

ACTION EUR-10

INFO OCT-01 IO-03 ISO-00 SAJ-01 EB-03 CIAE-00 DODE-00

PM-03 H-01 INR-10 L-02 NSAE-00 NSC-07 PA-01 RSC-01

PRS-01 SP-02 SS-14 USIA-04 COME-00 AGR-03 CIEP-01

TRSE-00 OMB-01 SWF-01 AID-05 CEA-01 FRB-01 STR-01

LAB-01 SIL-01 SAM-01 DRC-01 /082 W

----- 075105

R 101501Z OCT 74

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 3303

AMEMBASSY BELGRADE

USMISSION BERLIN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USMISSION GENEVA

AMEMBASSY LUXEMBOURG

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRAGUE

AMEMBASSY ROME

AMEMBASSY SOFIA

AMEMBASSY THE HAGUE

USMISSION NATO

AMEMBASSY WARSAW

LIMITED OFFICIAL USE MOSCOW 15354

E.O. 11652: N/A

TAGS: EGEN ETRD EFIN EEC COMECON US

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MOSCOW 15354 101719Z

SUBJ: LEADING SOVIET ECONOMISTS CALL FOR CEMA-EEC COOPERATION-

DESPITE ALLEGED EEC DEFECTS

REF: EC BRUSSELS 7585; MOSCOW 14416

1. SUMMARY: IN CONTINUATION OF SOVIET CAMPAIGN TO ACHIEVE "COOPERATION" LINKS BETWEEN EEC AND CEMA, TWO LEADING SOVIET ECONOMISTS HAVE PUBLISHED ARTICLE IN PRAVDA COMPARING EFFICIENCY OF TWO SYSTEMS AS MECHANISM FOR REGIONAL ECONOMIC INTEGRATION. REFLECTING DUALITY OF SOVIET APPROACH TOWARD COMMON MARKET, ARTICLE STRESSES EC PROBLEMS AND INADEQUACIES BUT CONCLUDES THAT TWO SYSTEMS CAN EASILY LIVE SIDE BY SIDE AND MAINTAIN CONTACT WITH ONE ANOTHER. ACADEMIC STATURE OF ARTICLE'S AUTHORS--O.T. BOGOMOLOV AND N.P. FEDORENKO--POINTS TO HIGH PRIORITY SOVIETS CONTINUING TO GIVE TO ESTABLISHMENT OF DIRECT CONTACTS WITH BRUSSELS. END SUMMARY.

2. IN WAKE OF LATEST CEMA APPROACH TO EC COUNCIL ON POSSIBLE COOPERATION, AND CEMA PROPOSAL THAT EC PRESIDENT ORTOLI COME TO MOSCOW FOR DISCUSSIONS, EMBASSY FINDS ESPECIALLY INTERESTING A RECENT PRAVDA ARTICLE BY TWO OF SOVIET UNION'S LEADING ECONOMISTS WHICH CONTRASTS RELATIVE EFFICIENCY OF CEMA AND EEC AS SYSTEMS FOR REGIONAL ECONOMIC INTEGRATION. AFTER NOT UNEXPECTED FINDING THAT CEMA IS INFINITELY MORE EFFECTIVE, THE TWO ECONOMISTS--O.T. BOGOMOLEV, DIRECTOR OF MOSCOW'S INSTITUTE FOR WORLD SOCIALIST ECONOMY AND N.P. FEDORENKO, CHIEF OF ACADEMY OF SCIENCE'S PRESTIGIOUS CENTRAL INSTITUTE FOR MATHEMATICS AND ECONOMICS--CONCLUDE THAT THE TWO TYPES OF INTEGRATION CAN EASILY COEXIST.

3. BOGOMOLOV AND FEDORENKO BASE THEIR ARTICLE ON RECENT UNESCO-SPONSORED WORLD CONFERENCE OF INTERNATIONAL ECONOMIC ASSOCIATION, WHICH RESULTED IN MEETING OF 2000 ECONOMISTS IN BUDAPEST, AND AT WHICH THERE WAS GENERAL DISCUSSION OF COMPARATIVE ADVANTAGES OF CEMA AND EEC. POSING QUESTION OF WHICH SYSTEM BEST FROM VIEWPOINT OF TECHNICAL PROGRESS, CONCENTRATION OF PRODUCTION AND ECONOMIC EFFICIENCY, CONFERENCE ECONOMISTS (MAJORITY OF WHOM APPEAR TO HAVE BEEN FROM CEMA COUNTRIES) COMPARED RELATIVE ADVANTAGES OF CEKMA "JOINT CONTROL SYSTEM" WITH EEC "MARKET MECHANISM". THESE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MOSCOW 15354 101719Z

EVALUATED ROUGHLY AS FOLLOWS:

A) OVERALL ECONOMIC DEVELOPMENT - MAJOR WEAKNESS OF EC MARKET SYSTEM IS THAT AS CUSTOMS BARRIERS LOWERED CAPITAL MOVEMENTS INCREASE, INFLATION SPEEDS, ADMINISTRATIVE AND TAX BARRIERS EXPAND. FRAGILE EC MECHANISM ESPECIALLY UNABLE TO COPE WITH REGIONAL PROBLEMS--AGRICULTURE, COAL AND STEEL PRODUCTION SHIPBUILDING, TEXTILES. SEVERAL WESTERN ECONOMISTS,

INCLUDING THOSE FROM FRG AND BELGIUM, HAVE ADMITTED THESE EEC DEFECTS. CEMA SYSTEM, WHICH PRESUPPOSES CONTROLLED COMMODITY AND FISCAL RELATIONS WITHIN INDIVIDUAL COUNTRIES AND BETWEEN THEM, CARRIES OUT "BALANCED ECONOMIC DEVELOPMENT." THIS ATTAINABLE ONLY UNDER CONDITIONS OF PUBLIC OWNERSHIP, STATE CONTROL, CENTRALIZED POLICY DIRECTION WHICH AVOIDS UNEQUAL CONDITIONS OF CAPITALIST COMPETITION AND EXPLOITATION.

B) SCOPE AND DEPTH OF INTEGRATION - AT BUDAPEST CONFERENCE SOME WESTERN ECONOMISTS RECOGNIZED CEMA ABILITY TO ACHIEVE ECONOMIC INTEGRATION ON MACRO-SCALE, BUT CLAIMED EC INTEGRATION MORE EFFECTIVE ON MICRO-PRODUCTION ORGANIZATION) LEVEL. BUT, DESPITE ADMITTEDLY INTENSE CONCENTRATION OF CAPITAL WHICH CAN BE ACHIEVED UNDER CONDITIONS OF MODERN CAPITALISM, A CLOSE LOOK AT MICRO-LEVEL INTEGRATION ACHIEVED SO FAR IN EEC REVEALS THAT IT IS NOT REGIONAL INTEGRATION IN TRUE SENSE. HUGE MULTINATIONAL CORPORATIONS, MANY OF WHICH HAVE HEADQUARTERS IN UNITED STATES, OPERATE WITHIN, ACROSS, AND BEYOND EC FRONTIERS AND OFTEN TAKE ACTIONS DIRECTLY CONTRARY TO EC INTERESTS. ON THE OTHER HAND, CEMA IN-DEPTH COOPERATION AT ENTERPRISE LEVEL IS EXPANDING SHARPLY, NOW INCLUDES 17 MULTILATERAL AGREEMENTS FOR PRODUCTION COOPERATION AT ENTERPRISE LEVEL, 1000 BILATERAL AGREEMENTS BETWEEN INDUSTRIES AND 30 INTERNATIONAL ECONOMIC AND SCIENTIFIC-TECHNICAL AGREEMENTS. THESE ORGANIZATIONS ARE NOT CONTROLLED BY ONE OR MORE CEMA COUNTRIES. THEY ARE TRULY INTERNATIONAL.

C) MUTUAL TRADE AMONG MEMBERS OF BLOC- SINCE 1960 SHARE OF MUTUAL TRADE OF CEMA COUNTRIES AS PROPORTION OF TOTAL VOLUME OF THEIR FOREIGN TRADE HAS NEVER BEEN LESS THAN 60 PERCENT. FOR EEC COUNTRIES SHARE IS NOW ONLY 50 PERCENT.

D) COMPARATIVE PRODUCTION- SINCE 1960 NINE COUNTRIES LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MOSCOW 15354 101719Z

OF CEMA HAVE MOVED AHEAD OF EC IN TOTAL PRODUCTION OF ELECTRIC POWER AND STEEL. CEMA INDUSTRIAL GROWTH RATE CONTINUING UPWARD. ALSO, ECONOMIC AND INDUSTRIAL DEVELOPMENT GAPS BETWEEN CEMA COUNTRIES ARE NARROWING, WHEREAS DISPARITIES IN RESOURCE DISTRIBUTION BETWEEN DIFFERENT REGIONS OF EEC NOW INCREASING.

E) THIRD-COUNTRY RELATIONS - EEC DISCRIMINATES AGAINST THIRD COUNTRIES, ESPECIALLY IN AGRICULTURAL TRADE. CEMA HAD NO BARRIERS AGAINST ANY PARTICULAR COUNTRY OR GROUP, AND RECENTLY ITS TRADE WITH THIRD COUNTRIES HAS BEEN EXPANDING.

4. IN RATHER ABRUPT SHIFT FROM THIS INTENSIVE CRITICISM OF EEC STRUCTURE AND VIABILITY, BOGOMOLOV AND FEDORENKO

CONCLUDE THAT CONGRESS PARTICIPANTS CAME TO OVERALL DECISION THAT "EUROPEAN REALITY IS REPRESENTED BY TWO TYPES OF INTEGRATION," AND THAT COUNTRIES INVOLVED IN EITHER SYSTEM ARE FULLY ABLE TO COEXIST, COMPLETE, MAINTAIN CONTACTS-- PROVIDED THAT ALL DISCRIMINATION (PRESUMABLY BY EEC SIDE) IS REMOVED, THAT THERE IS MUTUAL AWARD OF MFN STATUS AND ENCOURAGEMENT OF BILATERAL AND MULTILATERAL TIES.

5. COMMENT: ASIDE FROM OBVIOUS HOLES IN ARTICLE'S COMPARATIVE ANALYSIS OF CEMA AND EEC, OF WHICH BOGOMOLOV AND FEDORENKO MUST BE FULLY AWARE, THIS ARTICLE REFLECTS THE CONTINUED AMBIVALENCE OF POPULAR SOVIET APPROACH TOWARD THE COMMON MARKET -- ON THE ONE HAND RUDICULE AND ENJOYMENT OF EEC DIFFICULTIES, RANGING FROM INFLATION TO DISPUTES OVER COMMON AGRICULTURAL POLICY; ON THE OTHERHAND, REPEATED PROPOSALS FOR "COOPERATION" BETWEEN TWO ECONOMIC BLOCS. HOWEVER HIGH RANK AND PRESTIGE WHICH BOTH AUTHORS HOLD IN SOVIET ACADEMIC WORLD--BOGOMOLEV'S INSTITUTE IS MOSCOW'S THINK TANK AND MAJOR POLICY DIRECTION CENTER FOR CEMA, AND FEDORENKO'S INSTITUTE PLAYS KEY ROLE IN SHAPING OF SOVIET ECONOMIC POLICY--MAKE THEIR VIEWS IMPORTANT. IN ESSENCE, THEIR PROPOSALS ARE THE LATEST IN SERIES OF HIGH-LEVEL CONFIRMATIONS OVER PAST YEAR INDICATING SOVIET UNION'S PERSISTENT INTEREST IN ESTABLISHING SOME LINK BETWEEN CEMA AND BRUSSELS, NO MATTER HOW RELUCTANT BRUSSELS MAY BE.

STOESSEL

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 MOSCOW 15354 101719Z

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, RELATIONS WITH INTERNATIONAL ORGS, NEGOTIATIONS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MOSCOW15354
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740289-0140
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741056/aaaabvwu.tel
Line Count: 201
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: EC BRUSSELS 7585; MOSCOW 14416
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 03 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 APR 2002 by boyleja>; APPROVED <05 JUL 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LEADING SOVIET ECONOMISTS CALL FOR CEMA-EEC COOPERATION- DESPITE ALLEGED EEC DEFECTS
TAGS: EGEN, ETRD, EFIN, US, EEC, COMECON
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005